

Message Text

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SUBJ: CLARIFICATION OF DEPUTY SECRETARY DEFENSE 4 MAY MEMO-
RANDUM "GENERAL POLICY ON COMPENSATORY COPRODUCTION
AND OFFSET AGREEMENT WITH OTHER NATIONS" (U)

1. (C) REAR ADMIRAL RODHOLM, DEPUTY CHIEF OF STAFF FOR
LOGISTICS OF THE DANISH DEFENSE COMMAND, IS TROUBLED OVER
WHAT HE PERCEIVES TO BE A REVERSAL OF U.S. POLICY ON OFF-
SET AGREEMENTS. HE HAS THEREFORE ASKED FOR A CLARIFICATION
OF U.S. INTENTIONS IN THIS AREA BEFORE HE FORMALLY ELEVATES
THE MATTER TO THE MINISTERIAL LEVEL WITHIN THE DANISH GOVERN-
MENT, A STEP WHICH MAY OCCUR LATER THIS WEEK.

2. (C) THE SOURCE OF RODHOLM'S DISTRESS IS A U.S. DEPARTMENT
OF DEFENSE MEMORANDUM DATED MAY 4, 1978, SIGNED BY DEPUTY
SECRETARY OF DEFENSE DUNCAN, ON THE SUBJECT: "GENERAL POLICY
ON COMPENSATORY COPRODUCTION AND OFFSET AGREEMENTS". RODHOLM
CONTENDS THAT THE MEO WILL BE SEEN BY THE UNITED STATES'
EUROPEAN ALLIES AS A REVERSAL OF THE POSITIVE U.S. "TWO-WAY
STREET" APPROACH TO DEFENSE PRODUCTION MANIFESTED IN THE F-16
AND OTHER AGREEMENTS. THE WEST GERMAN GOVERNMENT, ACCORDING
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TO RODHOLM, HAS IN FACT ALREADY COMMUNICATED CONCERN OVER THE
MEMO TO THE USG, AND HIS GERMAN COUNTERPARTS ARE SEEKING DAN-
ISH SUPPORT TO COUNTER THE PERCEIVED U.S. POSITION.

3. (C) RODHOLM, WHO EXPRESSED DOUBTS THAT THE F-16 AGREEMENT
WOULD HAVE BEEN CONCLUDED HAD THE MEMO EXISTED PRIOR TO F-16
NEGOTIATIONS, BELIEVES THAT THE MEMO COULD NOW JEOPARDIZE

NOT ONLY FUTURE EUROPEAN PURCHASES OF U.S. EQUIPMENT BUT
COULD UNDERMINE ARRANGEMENTS LIKE AWACS THAT ARE CURRENTLY
BEING NEGOTIATED.

4. (C) IN DENMARK THE MATTER OF THE MEMO HAS NOT YET REACHED
THE MINISTERIAL LEVEL. RODHOLM SAYS, HOWEVER, THAT HE MUST
SOON BRING IT TO THE ATTENTION OF HE MINISTERS OF COMMERCE
AND DEFENSE. HE WOULD THEREFORE LIKE TO HAVE ANY CLARIFICA-
TION FROM THE U.S. THAT COULD HELP DEFUSE WHAT HE ANTICIPATES
WILL BE AN ADVERSE DANISH GOVERNMENT REACTION.

5. (C) ACTION REQUESTED: GIVEN THE SERIOUSNESS OF RODHOLM'S
CONCERN, AN EXPEDITIOUS REPLY FROM WASHINGTON TO HIS REQUEST
FOR CLARIFICATION IS NEEDED. LACKING PRIOR KNOWLEDGE OF THE DOD
MEMO AND THE CONTEXT IN WHICH IT WAS ISSUED, WE HAVE REFRAINED
FROM ANY SPECULATION WITH RODHOLM CONCERNING IT.
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